

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Jefferson	County Cass
Fiscal Year End June 30, 2007	Opinion Date November 7, 2007	Date Audit Report Submitted to State December 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

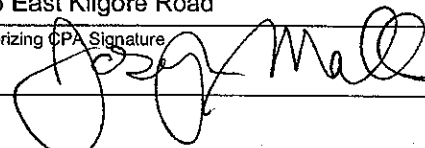
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not Required	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Joseph M Walls	License Number 1101013696

Township of Jefferson
Cass County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Jefferson, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Jefferson, Michigan, as of June 30, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Township of Jefferson, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Jefferson, Michigan, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information, on pages 16 - 17, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Jefferson, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

November 7, 2007



1958-2008

BASIC FINANCIAL STATEMENTS

Township of Jefferson
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 227,306
Receivables, net	64,682
Prepaid expenses	<u>8,498</u>
Total current assets	<u>300,486</u>
Noncurrent assets:	
Receivables, net	50,300
Capital assets not being depreciated - land	31,007
Capital assets, net of accumulated depreciation	<u>180,705</u>
Total non-current assets	<u>262,012</u>
Total assets	<u>562,498</u>
LIABILITIES	
Current liabilities:	
Accounts payable	29,848
Current maturities of long-term debt	<u>27,253</u>
Total current liabilities	57,101
Noncurrent liabilities - long-term debt	<u>81,756</u>
Total liabilities	<u>138,857</u>
NET ASSETS	
Invested in capital assets	211,712
Restricted for health and welfare	13,770
Unrestricted	<u>198,159</u>
Total net assets	<u>\$ 423,641</u>

See notes to financial statements

Township of Jefferson
STATEMENT OF ACTIVITIES
Year ended June 30, 2007

	<i>Program Revenues</i>				<i>Net (expenses) revenues and changes in net assets</i>
	<i>Expenses</i>	<i>Charges for services</i>	<i>Operating grants and contributions</i>	<i>Capital grants and contributions</i>	<i>Governmental activities</i>
Functions/Programs					
Governmental activities:					
Legislative	\$ 9,967	\$ -	\$ -	\$ -	\$ (9,967)
General government	213,997	38,653	-	6,792	(168,552)
Public safety	105,995	51,384	-	-	(54,611)
Public works	72,811	11,718	4,018	-	(57,075)
Health and welfare	22,032	-	-	-	(22,032)
Community and economic development	20,237	9,979	-	-	(10,258)
Interest on long-term debt	<u>2,452</u>	<u>3,420</u>	<u>-</u>	<u>-</u>	<u>968</u>
Total governmental activities	<u>\$ 447,491</u>	<u>\$ 115,154</u>	<u>\$ 4,018</u>	<u>\$ 6,792</u>	<u>(321,527)</u>
General revenues:					
Taxes					98,724
Franchise fees					4,695
State grants					161,494
Investment income					16,475
Other					<u>1,809</u>
Total general revenues					<u>283,197</u>
Change in net assets					(38,330)
Net assets - beginning					<u>461,971</u>
Net assets - ending					<u>\$ 423,641</u>

See notes to financial statements

Township of Jefferson
BALANCE SHEET - governmental funds
June 30, 2007

	<u>General</u>	<u>Diamond Lake Sewer</u>	<u>Nonmajor governmental fund Ambulance</u>	<u>Totals</u>
ASSETS				
Cash	\$ 179,854	\$ 31,005	\$ 16,447	\$ 227,306
Receivables	39,532	75,450	-	114,982
Prepaid expenses	8,498	-	-	8,498
Total assets	<u>\$ 227,884</u>	<u>\$ 106,455</u>	<u>\$ 16,447</u>	<u>\$ 350,786</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 27,171	\$ -	\$ 2,677	\$ 29,848
Deferred revenue	-	75,450	-	75,450
Total liabilities	27,171	75,450	2,677	105,298
Fund balances:				
Unreserved, undesignated	<u>200,713</u>	<u>31,005</u>	<u>13,770</u>	<u>245,488</u>
Total liabilities and fund balances	<u>\$ 227,884</u>	<u>\$ 106,455</u>	<u>\$ 16,447</u>	<u>\$ 350,786</u>
Fund balances - total governmental funds				\$ 245,488
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:				
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.				211,712
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				75,450
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(109,009)
Net assets of <i>governmental activities</i>				<u>\$ 423,641</u>

See notes to financial statements

Township of Jefferson
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds
Year ended June 30, 2007

	<u>General</u>	<u>Diamond Lake Sewer</u>	<u>Nonmajor governmental fund Ambulance</u>	<u>Totals</u>
REVENUES				
Taxes	\$ 84,940	\$ -	\$ 35,802	\$ 120,742
Licenses and permits	56,155	-	-	56,155
State grants	165,512	-	-	165,512
Charges for services	14,096	-	-	14,096
Interest and rentals	16,857	4,228	-	21,085
Other	24,779	25,151	-	49,930
Total revenues	<u>362,339</u>	<u>29,379</u>	<u>35,802</u>	<u>427,520</u>
EXPENDITURES				
Legislative	9,967	-	-	9,967
General government	199,709	-	-	199,709
Public safety	105,995	-	-	105,995
Public works	103,778	-	-	103,778
Health and welfare	-	-	22,032	22,032
Community and economic development	20,237	-	-	20,237
Capital outlay	14,506	-	-	14,506
Debt service:				
Principal	-	27,253	-	27,253
Interest	-	2,452	-	2,452
Total expenditures	<u>454,192</u>	<u>29,705</u>	<u>22,032</u>	<u>505,929</u>
NET CHANGE IN FUND BALANCES	(91,853)	(326)	13,770	(78,409)
FUND BALANCES - BEGINNING	<u>292,566</u>	<u>31,331</u>	<u>-</u>	<u>323,897</u>
FUND BALANCES - ENDING	<u>\$ 200,713</u>	<u>\$ 31,005</u>	<u>\$ 13,770</u>	<u>\$ 245,488</u>

Net change in fund balances - total governmental funds \$ (78,409)

Amounts reported for *governmental activities* in the statement of activities
(page 5) are different because:

Capital assets:	
Assets acquired	53,522
Provision for depreciation	(15,545)
Long-term debt - principal payments	27,253
Changes in other liabilities - net decrease in deferred revenue	(25,151)
Change in net assets of <i>governmental activities</i>	<u>\$ (38,330)</u>

See notes to financial statements

Township of Jefferson
STATEMENT OF FIDUCIARY NET ASSETS - agency funds
June 30, 2007

ASSETS

Cash	\$ <u>1,068</u>
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LIABILITIES

Due to others	\$ <u>1,068</u>
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See notes to financial statements

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Jefferson, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Diamond Lake Sewer Debt Fund accounts for the issuance and payment of debt related to sewer improvements. Revenues are primarily derived from special assessments.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity (Continued):*

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., major road improvements), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 30, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for roads within the Township which are owned by the County of Cass.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 7 years
Roads	20 years

v) *Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1 and, accordingly, the total levy is recognized as revenue in the current year.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The Township's significant budget variations are as follows:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	\$ 184,800	\$ 199,709	\$ 14,909
	Public safety	100,000	105,995	5,995
	Public safety	75,000	103,778	28,778
	Capital outlay	5,000	14,506	9,506
Ambulance	Health and welfare	20,000	22,032	2,032

NOTE 3 - CASH:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 227,306	\$ 1,068	\$ 228,374

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance. At June 30, 2007, \$174,274 of the Township's bank balances of \$234,614 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major funds are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Special assessments</i>	<i>Inter- governmental</i>	<i>Total</i>
General	\$ 13,376	\$ -	\$ 26,156	\$ 39,532
Diamond Lake Sewer Debt	-	75,450	-	75,450
Totals	<u>\$ 13,376</u>	<u>\$ 75,450</u>	<u>\$ 26,156</u>	<u>\$ 114,982</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 50,300</u>	<u>\$ -</u>	<u>\$ 50,300</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2007, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	\$ 11,007	\$ -	\$ 31,007
Capital assets being depreciated:				
Buildings and improvements	275,872	10,036	-	285,908
Equipment	36,895	8,421	-	45,316
Infrastructure	48,710	24,058	-	72,768
Subtotal	<u>361,477</u>	<u>42,515</u>	<u>-</u>	<u>403,992</u>
Less accumulated depreciation for:				
Buildings and improvements	(177,158)	(7,586)	-	(184,744)
Equipment	(24,402)	(4,832)	-	(29,234)
Infrastructure	(6,182)	(3,127)	-	(9,309)
Subtotal	<u>(207,742)</u>	<u>(15,545)</u>	<u>-</u>	<u>(223,287)</u>
Total capital assets being depreciated, net	<u>153,735</u>	<u>26,970</u>	<u>-</u>	<u>180,705</u>
Governmental activities capital assets, net	<u>\$ 173,735</u>	<u>\$ 37,977</u>	<u>\$ -</u>	<u>\$ 211,712</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 12,418
Public works	<u>3,127</u>
Total	<u>\$ 15,545</u>

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - DEFERRED REVENUE:

As of June 30, 2007, deferred revenue consisted of unavailable special assessments in the Diamond Lake Sewer Debt Fund.

NOTE 7 - LONG-TERM LIABILITIES:

Long-term debt at June 30, 2007, is comprised of the following individual issue:

Contracts payable:

\$520,275 1995 contract payable, due to Cass County in annual installments of \$26,757 to \$27,253, plus interest at 2% through October 2010. \$ 109,009

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Contract payable - 1995	<u>\$ 136,262</u>	<u>\$ -</u>	<u>\$ 27,253</u>	<u>\$ 109,009</u>	<u>\$ 27,253</u>

Debt service requirements at June 30, 2007, were as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 27,253	\$ 1,908
2009	27,253	1,363
2010	27,253	818
2011	<u>27,250</u>	<u>273</u>
Totals	<u>\$ 109,009</u>	<u>\$ 4,362</u>

NOTE 8 - JOINTLY GOVERNED ORGANIZATIONS:

a) *Edwardsburg Fire Department:* The Townships of Jefferson, Ontwa, and Milton have created the Edwardsburg Fire Department, which has a board composed of two individuals appointed by each Township board and one member-at-large appointed by the Edwardsburg Fire Board, who is a resident of one of the Townships. The Township appropriated \$44,041 to Edwardsburg Fire Department in 2007.

b) *Central Cass County Ambulance Board:* The Townships of Jefferson, Calvin, LaGrange, Penn, and the Villages of Cassopolis and Vandalia have entered into an agreement with the Life Care Ambulance Service for ambulance services. The ambulance board is made up of various members of the participating municipalities. The Township appropriated \$17,250 for operations in 2007.

Township of Jefferson
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2007, is as follows:

Revenues	\$ 51,384
Expenses	<u>53,953</u>
Deficiency of revenues over expenses	<u>\$ (2,569)</u>

NOTE 11 - SUBSEQUENT EVENT:

Subsequent to June 30, 2007, the Township entered into a project to dredge Wilson Channel. The total cost of the project will be approximately \$559,000 and will be financed through the issuance of a \$560,000 Special Assessment Dredging Bonds (Limited Tax General Obligation). The cost per parcel of the project will be financed through the creation of a special assessment district. The collections will begin during the fiscal year ending June 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Jefferson
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 82,020	\$ 82,020	\$ 84,940	\$ 2,920
Licenses and permits	45,000	45,000	56,155	11,155
State grants	175,000	175,000	165,512	(9,488)
Charges for services	3,000	3,000	14,096	11,096
Interest and rentals	11,500	11,500	16,857	5,357
Other	3,500	3,500	24,779	21,279
	<u>320,020</u>	<u>320,020</u>	<u>362,339</u>	<u>42,319</u>
Total revenues				
	<u>320,020</u>	<u>320,020</u>	<u>362,339</u>	<u>42,319</u>
EXPENDITURES				
Legislative	<u>10,000</u>	<u>10,000</u>	<u>9,967</u>	<u>33</u>
General government:				
Supervisor	18,500	18,500	17,942	558
Election	7,000	9,000	8,851	149
Assessor	18,000	18,000	14,201	3,799
Clerk	18,000	20,000	19,911	89
Board of review	2,500	2,500	1,050	1,450
Treasurer	22,000	22,000	21,907	93
Building and grounds	27,000	27,000	13,337	13,663
Cemetery	3,500	3,500	3,300	200
Other	53,300	64,300	99,210	(34,910)
	<u>169,800</u>	<u>184,800</u>	<u>199,709</u>	<u>(14,909)</u>
Total general government				
	<u>169,800</u>	<u>184,800</u>	<u>199,709</u>	<u>(14,909)</u>
Public safety:				
Fire protection	60,000	45,000	44,041	959
Ordinance enforcement	-	-	8,000	(8,000)
Building inspections	45,000	55,000	53,954	1,046
	<u>105,000</u>	<u>100,000</u>	<u>105,995</u>	<u>(5,995)</u>
Total public safety				
	<u>105,000</u>	<u>100,000</u>	<u>105,995</u>	<u>(5,995)</u>
Public works:				
Highways and streets	65,000	65,000	66,455	(1,455)
Weed control	-	-	5,399	(5,399)
Dredging	-	-	22,722	(22,722)
Waste disposal	15,000	10,000	9,202	798
	<u>80,000</u>	<u>75,000</u>	<u>103,778</u>	<u>(28,778)</u>
Total public works				
	<u>80,000</u>	<u>75,000</u>	<u>103,778</u>	<u>(28,778)</u>

Township of Jefferson**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - zoning and planning	<u>\$ 26,000</u>	<u>\$ 26,000</u>	<u>\$ 20,237</u>	<u>\$ 5,763</u>
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>14,506</u>	<u>(9,506)</u>
Total expenditures	<u>395,800</u>	<u>400,800</u>	<u>454,192</u>	<u>(53,392)</u>
NET CHANGE IN FUND BALANCES	<u>(75,780)</u>	<u>(80,780)</u>	<u>(91,853)</u>	<u>(11,073)</u>
FUND BALANCES - BEGINNING	<u>292,566</u>	<u>292,566</u>	<u>292,566</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 216,786</u>	<u>\$ 211,786</u>	<u>\$ 200,713</u>	<u>\$ (11,073)</u>

**Members of the Township Board
Township of Jefferson, Michigan**

In planning and performing our audit of the financial statements of the Township of Jefferson as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Jefferson's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiency and a deficiency that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We believe that the following control deficiency is a significant deficiency.

- The financial activity of all funds were recorded in a single fund.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

- Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record receivables and payables, changes in capital assets and long-term debt, and to develop appropriate footnote disclosures were not in place. As in prior years, the Township has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. We recommend that management and those charged with governance evaluate and



document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Jefferson and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.

November 7, 2007